

BFL CANADA

ORE - AND MORE ORE



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You don't go into mining if you want to live a risk free life but effective risk identification and management are essential to survival. BFL CANADA's new ORE service offers a way to turn uncertainty into an asset

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BFL CANADA is a no-nonsense insurance brokerage and risk management firm, founded by Barry F Lorenzetti in 1987 and now the largest employee-owned and operated commercial insurance broker and consulting services firm in the country, with offices in nine major cities from Vancouver in the west to Halifax in the east. Though BFL is active in upward of 20 vertical business sectors, one of the most important of these is mining, mineral processing and exploration.

BFL has always provided its mining industry clients with an outsourced risk management service covering every aspect of operations from initial exploration through construction and operation of a mining facility. Its core business, after all, lies in the insurance field, but this is a company that likes to add value. When we covered the company's activities a year ago we saw the strong growth of the company under its leadership team including Vice President and National Practice Leader – Mining for BFL CANADA's operations Janet McLean. Today we want to look at how Janet, a specialist in risk transfer – the insurance side of the business and alternative risk financing – has been joined by Michael Yip to develop an enhanced service that they describe as representing something of a paradigm shift for the company and its client base.

Michael Yip joined BFL in 2012 as National Practice Leader – Enterprise Risk Management (ERM), BFL's strategic consulting arm. His area of expertise is enterprise risk management and strategy advice. With 20 years of consulting experience in strategy, integration of strategy and risk management for Fortune



Red Chris mine construction site. Photo provided by Imperial Metals Corporation



Wolverine mine site. Photo courtesy of Yukon Government

500 companies, including major projects for mining clients. He takes the strategic view, from operational risk management at the mine site level up to how that contributes and helps drive profitability and success for the corporation as a whole. “My focus is working with colleagues like Janet McLean, who represents the risk transfer side of the equation. We complement each other because I have the strategic perspective of the industry, seeing market trends in terms of business drivers. Janet brings a very tactical approach to addressing those risk management factors in the mining industry.”

So they make a great team! And that team has been very busy over the last 18 months or so. Let’s look at the problem, he suggests. “Insurance is a necessity – you clearly need to insure for the many hazards facing any mine operation. That is a significant expense for most mining companies. But the business implications of these and more intangible risks are ignored by many professional service advisers. We can insure 20 percent of our risks but the question I ask is how can we address the other 80 percent?”

That is the role of enterprise risk management (ERM), he asserts. Traditionally insurance is seen as a necessary evil, in case disaster strikes. Seen as an integral part of the

ERM process it undergoes a transformation. “I am working with clients to not view risk as inevitably associated with loss,” emphasises Yip. “Risk involves uncertainty, sure enough, but let’s lose the preconception that it has to threaten profitability: see it as an opportunity to capitalise on an event!”

Over the last six months Janet McLean and he have been busy developing a new service that reflects this thinking. ORE (Optimizing Risk Excellence) can be applied in any

business vertical, but it’s not just the acronym that makes it particularly applicable to mining and minerals. After a year getting to understand BFL’s capacity in different verticals, Michael Yip adapted a platform he had spent years developing to BFL’s unique business ethos and made it mining-specific. Six months later it is available to clients, and it has already started to benefit the companies in Canada that he and McLean work with.

So how can risk be seen as opportunity? How can elements that are uncontrollable, immitigable even – commodity pricing for example – be turned to advantage? “It may seem an esoteric concept to take a positive view of fluctuations in world gold prices, but

this is very important as part of our service communications with our clients. Commodity price graphs are a big deal. But setting up hedging programs or alternative financing arrangements and working with lenders to be more creative with respect to

your risk profiles will assure the investment community and lenders that you are ahead of that risk and are addressing it.” Retrenchment is not the only game in town – demonstrating a proactive management style gains any company credit in difficult times – after all investors are used to taking the long view.

His experience in multitudes of industry verticals, large small, national, multinational, Yip brings valuable best practice experience

1987
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The year BFL was founded

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BFL CASE STUDY

It's hard to find a manufacturer that has not gone through a lean process these days, and many have gone the whole nine yards with Six Sigma and TQM thinking. Mining operations could stand to benefit from this too, he believes. "I was engaged to conduct an operational risk assessment for a Middle East mining operation with three or four mine sites. We had our engineers go in and do all the practical reviews, but the board of the corporation was concerned that they did not have a handle on the bigger picture. Were they efficient? Were they maximising economies of scale that could directly impact their bottom line – revenue as well as profitability? So we recommended that we step back and take a more strategic assessment of the organisation, and look at other industries facing a similar risk profile. As well as Lean Six Sigma, which they were already considering, we encouraged them to look at supply chain issues. For example, where is the product going – do you have that addressed? Do you have the



Janet McLean,
Vice President and
National Practice
Leader – Mining

contractual risk issues under control – in other words are you looking at who you are doing business with?" McLean comments "Mining operations like most industries today, operate 24/7 with little time to send contracts through for input from the CFO or risk manager, as a result many opportunities to mitigate or transfer risk are missed by not amending contract language before it is signed. ORE addresses this and many more issues that our clients value." Taking a broad, business-centric assessment to this organisation resulted in a much heightened view of its risk profile, he says. "What started out as a very granular, day to day, specific type of risk assessment turned into a much more strategic view of the operations, which led to significant branding efforts, greater competitive market penetration and in the end positioned them to be a much stronger player." This company set out on an M&A trajectory, buying up smaller mines in the area: the process positioned it for a much stronger operational and strategic base.

Michael Yip,
National Practice
Leader – Enterprise
Risk Management
(ERM)



Wolverine mine site. Photo provided by Yukon Zinc Corporation

to the industry. "Mining operations indeed are somewhat unique but at the end of the day they face fundamental business risks, similar risks to a manufacturing operation, as an example. I encourage clients to take a much more grounded perspective of risk management, having experienced quite a lot of success in the past." Mining companies are always interested to learn how their 'peers' deal with prevalent risk issues – and where appropriate, benchmark those practices.

This type of strategic thinking underpins BFL's ORE service. "Being an ex-banker myself and coming from the consulting side I understand how the two worlds can

meld together. That is essentially at the core of one of the main services Janet and I are building within BFL. It works with the mining organisations at the management and strategy level and at the operations level and it works to create a very tailored risk profile depending on the need of the audience."

This service works with mining operations to create a risk profile that is marketable.

Underwriters, accountants, banks, potential lenders and investors whether institutional or private all need to understand the strength of a company's operational best practices. So it works at both ends, the tactical side focused on

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Industry verticals
served by BFL



Red Chris mine construction site. Photo provided by Imperial Metals Corporation

“RISK INVOLVES UNCERTAINTY, BUT LET’S LOSE THE PRECONCEPTION THAT IT HAS TO THREATEN PROFITABILITY: SEE IT AS AN OPPORTUNITY TO CAPITALISE ON AN EVENT!”

operations and risk transfer, and the strategic side which takes into consideration the investment community, lenders and potential joint venture partners or M&A targets.

Mining operations can be rather inward-looking, Michael Yip thinks, often failing to consider how the financial markets view them. McLean comments, “The recent commodity pricing rally still has a long way to go to reach ideal levels, affecting stock prices, creating

a very attractive M&A environment among mining and exploration companies. ORE is an excellent and affordably appropriate tool that, among other things, assists in both the evaluation of a targeted company for capital market’s assessments and the insurance market’s underwriting process post-merger that works to position the risk and its management in the best possible light.”

A panoramic risk profile is very desirable

to outside providers like bankers and the financial and insurance markets. The majors tend to grasp this fact more readily than the juniors and to engage with BFL’s offering, so McLean and Yip are tailoring ORE to them. “The positive aspect of having this type of assessment at the front end is that investors and bankers see it this way. You may have a great resource, your core samples may be fantastic, but if it is going to cost you a billion dollars to build an operating mine to access it, is it really worth developing? The younger juniors don’t necessarily have the head office depth to do all these analytics.”

The team is currently providing a scaled and modified version of the ORE service to a mining operation in northern Canada, as part of the commercial insurance services

that BFL offers. On top of that package the client benefits from Michael Yip’s engagement to explore how they can better position themselves to the capital markets and make introductions to lenders. “That is just an example of the expanded collaboration that Janet and I have,” he says. “Through the introduction of my services ORE is trying to capitalise on relationships that are still highly operational and tactical, but we are now able to provide a more strategic element as we work with clients right through their mine development life cycle.” **BE**

For more information about
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